

**AVOYELLES WATER COMMISSION**  
Marksville, Louisiana

Financial Report

Year Ended December 31, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 7/30/08

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## INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners  
Avoyelles Water Commission  
Marksville, Louisiana

I have audited the accompanying financial statements of the business-type activities and major fund of Avoyelles Water Commission ( the Commission), a component unit of Avoyelles Parish Police Jury, as of and for the year ended December 31, 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Avoyelles Water Commission, as of December 31, 2007, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

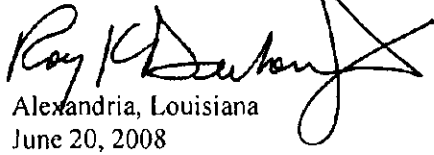
In accordance with Government Auditing Standards, I have also issued our report dated June 20, 2008, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Avoyelles Water Commission has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The accompanying financial information listed as "Supplementary Information" in the table of contents is presented for purposes of additional analysis and is

not a required part of the basic financial statements of Avoyelles Water Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Roy K. Derbonne, Jr.***  
Certified Public Accountants

  
Alexandria, Louisiana  
June 20, 2008

**GENERAL PURPOSE FINANCIAL STATEMENTS**

AVOYELLES WATER COMMISSION  
Marksville, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Utility Fund

Balance Sheet  
December 31, 2007

ASSETS

Current assets:	
Cash	\$ 371,334
Receivables -	
Accounts receivable (net of allowance for uncollectible accounts - \$-0-)	223,029
Unbilled receivable	20,767
Prepaid Insurance	<u>9,462</u>
Total current assets	<u>624,592</u>
Noncurrent assets:	
Restricted assets:	
Interest-bearing deposits	25,012
Prepaid land lease	<u>29,091</u>
Total noncurrent non-capital assets	<u>54,103</u>
Capital assets:	
Land	10,000
Right of ways	165,132
Distribution system	<u>12,181,764</u>
Total capital assets	12,356,896
Accumulated depreciation	<u>(372,809)</u>
Total fixed assets	<u>11,984,087</u>
Total assets	<u>\$ 12,662,782</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Current liabilities - (payable from current assets)	
Accounts payable	\$ 9,536
Payroll taxes payable	<u>1,959</u>
Total current liabilities - (payable from current assets)	<u>11,495</u>
Current liabilities - (payable from restricted assets)	
Current maturities of long-term debt	158,779
Accrued interest payable	<u>25,889</u>
Total current liabilities - (payable from restricted assets)	<u>184,668</u>
Total current liabilities	<u>196,163</u>
Noncurrent liabilities -	
Note payable (net)	<u>12,132,837</u>
Total liabilities	12,329,000
Net assets (deficit):	
Investment in capital assets, net of related debt	-
Unrestricted	<u>333,782</u>
Total net assets	<u>333,782</u>
Total liabilities and net assets	<u>\$ 12,662,782</u>

The accompanying notes are an integral part of the basic financial statements.

AVOYELLES WATER COMMISSION  
Marksville, Louisiana  
Proprietary Fund Type-Enterprise Fund  
Utility Fund

Statement of Revenues, Expenses and Changes in Net Assets  
Year Ended December 31, 2007

Operating revenues:	
Charges for services -	
Water sales and fees	\$ 1,128,609
Operating expenses:	
Audit fees	3,000
Fuel	2,521
Contracting services	2,832
Depreciation	372,809
Insurance	6,640
Legal expense	375
Repairs	2,387
Salaries	9,334
Supplies	5,047
Payroll taxes	818
Utilities	104,492
Telephone	873
Miscellaneous	1,717
Total operating expenses	<u>512,845</u>
Net operating income	615,764
Nonoperating revenues (expenses)	
Interest income	41
Interest expense	<u>(288,347)</u>
Total nonoperating revenues (expenses)	<u>(288,306)</u>
Change in net assets	327,458
Net assets, beginning	<u>6,324</u>
Net assets, ending	<u>\$ 333,782</u>

The accompanying notes are an integral part of the basic financial statements.

AVOYELLES WATER COMMISSION  
 Marksville, Louisiana  
 Proprietary Fund Type-Enterprise Fund  
 Utility Fund

Statement of Cash Flows  
 Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Receipts from customers	884,813
Payments to vendors	(128,666)
Payments to employees	(8,193)
Net cash flows provided from operating activities	<u>747,954</u>

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:

Proceeds from interim construction loan	1,229,120
Loans from other governments	(8,509)
Payment of principal on bonds	(71,236)
Interest paid on bonds	(521,063)
Acquisition and construction of capital assets	<u>(1,009,206)</u>
Net cash flows used by capital and financing activities	<u>(380,894)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received on cash and investments	<u>41</u>
Increase in cash and cash equivalents	367,101
Cash and cash equivalents, beginning of period	<u>29,245</u>
Cash and cash equivalents, end of period	<u>\$ 396,346</u>

Supplemental Disclosure:

Reconciliation of operating income to net cash  
 provided by operating activities:

Net operating income	\$ 615,764
Adjustments to reconcile operating loss to net cash used by operating activity:	
Amortization of land lease	303
Amortization of bond issue costs	841
Depreciation	372,809
Increase in accounts receivable	(243,796)
Decrease in prepaid insurance	(9,462)
Increase in accounts payable	9,536
Increase in payroll taxes payable	<u>1,959</u>
Total adjustments	<u>132,190</u>
Net cash used by operating activities	<u>\$ 747,954</u>

The accompanying notes are an integral part of the basic financial statements.

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of Avoyelles Water Commission (the Commission) conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The Commission applies all applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 in accounting and reporting for its proprietary fund operations unless those pronouncements conflict with or contradict GASB pronouncements.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The Avoyelles Water Commission, which is a component unit of Avoyelles Parish Police Jury, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing potable drinking water to three municipalities. The Commission is governed by a board of directors composed of three members appointed by the Avoyelles Parish Police Jury. Each board of commissioner serves until he is replaced by the Police Jury. The commission began operations in January 2007.

This report is comprised of a proprietary fund that is administered by the Commission's board of directors. The accompanying financial statements present information only on the proprietary fund maintained by the Commission and do not present information on the Avoyelles Parish Police Jury and the general governmental services provided by that governmental unit.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the reporting government as a business. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Avoyelles Water Commission does not have governmental activities. Its operation is a business-type activity.

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements (Continued)

C. Fund Accounting

The accounts of the Commission are organized and operated on the basis of a fund. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The Commission maintains only one fund and it is described below:

Proprietary Fund –

Enterprise Fund

The Enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

The enterprise fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

The proprietary fund statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions."

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements (Continued)

E. Assets, Liabilities and Equity

Cash and interest-bearing deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

Investments

Under state law, the Commission may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union or the laws of the United States. The Commission may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. As of December 31, 2007 the Commission has no investments.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets. They are reported at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Commission maintains a threshold level of \$1,000 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	30-40 years
Furniture, fixtures and equipment	7-10 years

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements (Continued)

Compensated Absences

The Commission has no set policy for accumulated vacation, sick pay or other benefits because the Commission has no employees. Therefore, no accruals for compensated absences have been made in these financial statements.

Equity Classifications

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

The Commission uses unrestricted assets only when restricted assets are fully depleted.

F. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

The commission follows the policy of capitalizing interest as a component of the cost of construction. As of December 31, 2007, there was \$761,437 of interest charges capitalized during construction. During the year December 31, 2007, the Commission incurred \$288,347 that was charged to expense for the year 2007.

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements (Continued)

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

(2) Cash and Interest-Bearing Deposits

Under state law, the Commission may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The Commission may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 2007, the Commission had cash and interest-bearing deposits (book balances) totaling \$396,346 in demand deposits.

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances are categorized below to give an indication of the level of risk assumed by the Commission at December 31, 2007. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) totaling \$125,012 is secured by federal deposit insurance and \$286,341 by Category 3 securities.

Even though pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Commission that the fiscal agent has failed to pay deposited funds upon demand.

(3) Accounts Receivable

The accounts receivable amounted to current amounts due of \$223,029 and unbilled receivables of \$20,767 for a total of \$243,796. The entire amount is deemed collectible. The unbilled receivable is the amount of estimated billings between the date the meters are read and the end of the month.

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements (Continued)

(4) Restricted Assets - Proprietary Fund Type

Restricted assets of \$25,012 consist of \$12,000 in the sinking fund \$12,000 in the depreciation fund, \$101 in the contingency fund and \$911 in the construction account at December 31, 2007.

(5) Capital Assets

A summary of changes in property, plant and equipment at December 31, 2007 follows:

	Beginning Balance 1/1/2007	Increases	Decreases	Ending Balance 12/31/2007
Land	\$ 10,000	\$ -	\$ -	\$ 10,000
Right of ways	165,132	-	-	165,132
Vehicles	-	4,925	-	4,925
Distribution system	-	11,415,402	-	11,415,402
Construction period interest	-	761,437	-	761,437
Total Fixed Assets	175,132	12,181,764	-	12,356,896
Less accumulated depreciation	-	(372,809)	-	(372,809)
Net Utility Fund property, plant and equipment	<u>\$ 175,132</u>	<u>\$ 11,808,955</u>	<u>\$ -</u>	<u>\$ 11,984,087</u>
 Construction in progress	 <u>\$ 11,630,113</u>	 <u>\$ 324,933</u>	 <u>\$ -</u>	 <u>\$ 11,955,046</u>

(6) Changes in Long-Term Debt

The following is a summary of debt transactions of the Commission for the year ended December 31, 2007:

	Notes Payable
Long-term debt payable at January 1, 2007	\$11,195,991
Long-term debt issued	1,229,120
Long-term debt retired	<u>(71,236)</u>
Long-term debt payable at December 31, 2007	<u>\$12,353,875</u>

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements (Continued)

Notes payable at December 31, 2007 is composed of the following notes:

\$6,916,000 USDA note dated June 13, 2007, bearing interest at 4.250% per annum. Final maturity date, December 13, 2044. Monthly payments of \$30,776.	\$ 6,878,021
\$5,876,000 USDA note dated June 20, 2007, bearing interest at 4.250% per annum. Final maturity date, June 20, 2044. Monthly payments of \$26,148.	5,472,753
\$5,120 The Cottonport Bank note dated March 23, 2007, bearing interest at 6.5% per annum. Final maturity date, January 25, 2009. Monthly payments of 248.	3,101
	12,353,875
Less: unamortized bond issue cost	(62,259)
	<u>\$ 12,291,616</u>

The annual requirements to amortize all notes outstanding at December 31, 2007 are as follows:

<u>December 31, 2007</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 164,156	\$ 521,909	\$ 686,065
2009	168,542	514,800	683,342
2010	175,587	507,506	683,093
2011	183,196	499,896	683,092
2012	191,136	491,957	683,093
2013-2017	1,087,348	2,328,119	3,415,467
2018-2022	1,344,289	2,071,176	3,415,465
2023-2027	1,661,948	1,753,519	3,415,467
2028-2032	2,054,668	1,360,797	3,415,465
2033-2037	2,540,189	875,274	3,415,463
2038-2044	2,782,816	371,922	3,154,738
	<u>\$ 12,353,875</u>	<u>\$ 11,296,875</u>	<u>\$ 23,650,750</u>

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Notes to Financial Statements (Continued)

(8) Litigation

There is no litigation pending against the Avoyelles Water Commission at December 31, 2007.

(9) Risk Management

The Commission has a general liability policy with aggregate coverage of \$3,000,000. The Commission believes this coverage is adequate.

(10) Compensation of Board Members

Board members were not compensated during the year ended December 31, 2007.

## **SUPPLEMENTAL INFORMATION**

**COMPLIANCE  
AND  
INTERNAL CONTROL**

# *Roy K. Derbonne, JR., LLC*

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## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners  
Avoyelles Water Commission  
Marksville, Louisiana

I have audited the financial statements of Avoyelles Water Commission, (the Commission) as of and for the year ended December 31, 2007, and have issued our report thereon dated June 20, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that is required to be reported under Government Auditing Standards.

### Internal Control Over Financial Reporting

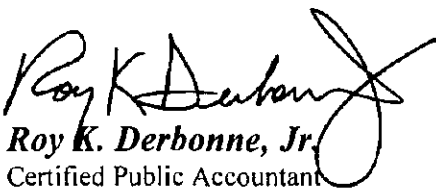
In planning and performing my audit, I considered the Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control.

*My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above.*

This report is intended solely for the information and use of management, others within the Commission, Avoyelles Parish Police Jury, U.S. Department of Agriculture, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

  
**Roy K. Derbonne, Jr.**  
Certified Public Accountant

Alexandria, Louisiana  
June 20, 2008

AVOYELLES WATER COMMISSION  
Marksville, Louisiana

Summary Schedule of Current and Prior Year Audit Findings  
and Corrective Action Plan  
Year Ended December 31, 2006

Ref. No.	Fiscal Year Finding		Description of Finding	Corrective Action Taken	Corrective Action Plan	Name of Contact Person	Anticipated
	Initially	Occurred					Date of Completion
CURRENT YEAR (12/31/06) --							
<u>Compliance and Internal Control:</u>							
06-01 C	12/31/06		The Commission violated LSA-RS 24:513 which states that the entity must submit audited financial statements within six months of the entities year-end.	Yes	The Board hired someone to perform bookkeeping functions to help the secretary-treasurer to insure the financial statements will be prepared and audited by June 30.	Joan Decuir	12/31/07

PRIOR YEAR (12/31/05) --

Compliance and Internal Control:

There are no findings that are required to be reported.